Economic Sanctions as an Instrument of U.S. Foreign Policy:
The Case of the U.S. Embargo against Cuba

by

Helen Osieja


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Helen Osieja, Ph.D.
American University of London
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I want first of all to thank my supervisor, Prof. Dr. Michael Nimier, for his support and his advice. To my mother special thanks for your support and for your insistence that I finish my PhD at any cost; To my father, thanks for your insistence and your interest in my career.

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Helen Osieja
DECLARATION

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Helen Osieja

August 2005

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# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>1</td>
</tr>
<tr>
<td>1. Foundations of U.S. Foreign Policy</td>
<td>5</td>
</tr>
<tr>
<td>1.1. Images and Perceptions: Latin America as Seen in the United States</td>
<td>6</td>
</tr>
<tr>
<td>1.2. American Foreign Policy Toward Latin America After WW 2</td>
<td>8</td>
</tr>
<tr>
<td>1.2.1. The Truman Doctrine</td>
<td>8</td>
</tr>
<tr>
<td>1.2.2. Chapultepec: From Intervention to Pan-American Cooperation</td>
<td>9</td>
</tr>
<tr>
<td>1.2.3. The Military Defense of the American Continent</td>
<td>10</td>
</tr>
<tr>
<td>1.2.4. U.S. Support of Dictatorships in Latin America</td>
<td>11</td>
</tr>
<tr>
<td>1.2.5. The Militarized Good Neighbor</td>
<td>12</td>
</tr>
<tr>
<td>1.3. The Foreign Policy of the Eisenhower Administration</td>
<td>13</td>
</tr>
<tr>
<td>1.3.1. The Cold War in America: Guatemala</td>
<td>15</td>
</tr>
<tr>
<td>1.3.2. Economic Aid as a Means to Stop Communism</td>
<td>17</td>
</tr>
<tr>
<td>1.4. American Foreign Policy and the Inter-American Peace System</td>
<td>18</td>
</tr>
<tr>
<td>1.4.1. The OAS as Military Instrument of the United States</td>
<td>19</td>
</tr>
<tr>
<td>1.4.2. The OAS as Political Instrument of the United States</td>
<td>20</td>
</tr>
<tr>
<td>1.4.2.1. The Anti-Communist Nature of the Inter-American Peace System</td>
<td>20</td>
</tr>
<tr>
<td>1.4.2.2. The Washington Declaration of 1951</td>
<td>21</td>
</tr>
<tr>
<td>1.4.2.3. The Caracas Resolution- A Diplomatic Victory of the United States</td>
<td>22</td>
</tr>
<tr>
<td>1.5. The Development of the U.S. Embargo Policy</td>
<td>23</td>
</tr>
<tr>
<td>1.5.1. The U.S. Embargo Policy after the Outbreak of the Korea War</td>
<td>25</td>
</tr>
<tr>
<td>2. Political Confrontation of the United States with Cuba</td>
<td>27</td>
</tr>
<tr>
<td>2.1. Cuban-American Relations before the Castroist Revolution</td>
<td>27</td>
</tr>
<tr>
<td>2.1.1. Cuba as a US- Protectorate</td>
<td>27</td>
</tr>
<tr>
<td>2.1.2. The Platt Amendment</td>
<td>27</td>
</tr>
<tr>
<td>2.1.3. Pre-Revolutionary Cuban Society, Sugar, and Relations with the United States</td>
<td>29</td>
</tr>
<tr>
<td>2.1.4. The United States: Protector or Exploiter of Cuba?</td>
<td>30</td>
</tr>
<tr>
<td>2.2. American Policy to Cuba at the Outbreak of the Revolution</td>
<td>32</td>
</tr>
<tr>
<td>2.3. American Intervention against Batista</td>
<td>33</td>
</tr>
</tbody>
</table>
2.4. The Cuban Revolution: From U.S. Recognition to Confrontation 34
2.4.1. The Phase of Accommodation: From Recognition to October 1959 34
2.4.2. The Policy of Restraint Continued 36
2.4.3. From Restraint to the Forceful Ousting of Castro 37
2.4.4. The Shaping of a Policy of Containment 39
2.4.5. Containment Refined 40
2.5. Analysis of the Development of the Confrontation 41
2.5.1. Four Theories 41
2.5.1.1. The Theory of the “Betrayed Revolution” 41
2.5.1.2. The Thesis of the “Communist Conspiracy” 41
2.5.1.3. The Thesis that “the United States Pushed Cuba into the Arms of the USSR” 42
2.5.1.4. The Thesis of the So-Called “Inevitable Socialism” 42
2.5.2. Political Motivations of the U.S.A. 42
2.5.3. Images of the Cuban Revolution and Policy Shaping 44
3.1. The Agrarian Reform—The Beginning of the Economic Dispute 48
3.2. Legal Expropriation and Customary International Law 51
3.2.1. Four Traditional Procedures for the Settlement of International Claims 52
3.2.1.1. Settlement through Diplomatic Channels 52
3.2.1.2. Exhaustion of Local Remedies 52
3.2.1.3. The Mixed Claims Commission 53
3.2.1.4. Compensation through Lump-Sum Payment 53
3.2.1.5. A Sui Generis Case: The American Foreign Claims Commission 53
3.3. Two Perspectives on Expropriation 53
3.4. The Illegality of Confiscation of Property 54
3.5. The Nationalization of American Property in Cuba 55
4. The Embargo—A Legitimate Measure of Economic Policy 58
4.1. The Embargo as a Licit Peaceful Reprisal 58
4.1.1. Concept 58
4.1.2. Conditions of Peaceful Reprisals
4.2. Definition, Classification, and Forms of the Embargo

4.2.1. Concept of Embargo
4.2.2. Distinction between Embargo and Other Forms of Economic Sanctions

4.2.2.1. Distinction between Embargo and Boycott
4.2.2.2. Distinction between Embargo and Blockade
4.2.2.3. Distinction between Embargo and Economic War

4.2.3. Typology of the Embargo

4.2.3.1. The Export Embargo
4.2.3.1. The Import Embargo
4.2.3.3. The Capital Embargo
4.2.3.4. The Transportation Embargo

4.3. Legitimacy of the U.S. Sanction Policy against Cuba

4.3.1. Legality of the Embargo according to Customary International Law

4.3.1.1. The Duty of Economic Cooperation between States
4.3.1.2. The Prohibition of Intervention
4.3.1.3. The Legality of Trade Discrimination

4.3.2. Legality of the U.S. Embargo against Cuba according to Law-Making Treaties

4.3.2.1. Trade Agreements
4.3.2.2. Agreement of Trade Preferences

4.4. The Legality of the Embargo according to the Charter of the OAS

5. Analysis of the U.S. Embargo against Cuba

5.1. The Shaping of the Sanction Policy

5.1.1. First Sanctions
5.1.2. The Trade Ban
5.1.3. Multilateralization of the Embargo

5.2. Effects of the Embargo on the Cuban Economy

5.2.1. Decrease of Cuban Foreign Trade since 1959
5.2.2. Effects of the Embargo on the Cuban Consumer Market
5.2.3. Effects of the Embargo on Cuban Production

5.3. Extraterritoriality of the American Embargo
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.3.1. Limits to State Jurisdiction</td>
<td>79</td>
</tr>
<tr>
<td>5.3.2. Extraterritoriality under American Customary International Law</td>
<td>81</td>
</tr>
<tr>
<td>5.3.3. International Export Agreements</td>
<td>83</td>
</tr>
<tr>
<td>5.3.4. Extraterritoriality in International Law</td>
<td>84</td>
</tr>
<tr>
<td>5.3.4.1. Canada</td>
<td>85</td>
</tr>
<tr>
<td>5.3.4.2. United Kingdom</td>
<td>85</td>
</tr>
<tr>
<td>5.3.4.3. France</td>
<td>86</td>
</tr>
<tr>
<td>5.3.4.4. Federal Republic of Germany</td>
<td>86</td>
</tr>
<tr>
<td>5.4. Extraterritoriality in International Law</td>
<td>87</td>
</tr>
<tr>
<td>6. Following a Consistent Pattern: U.S. Sanctions against Chile</td>
<td>89</td>
</tr>
<tr>
<td>under President Allende</td>
<td></td>
</tr>
<tr>
<td>6.1. U.S. Foreign Policy under President Richard M. Nixon</td>
<td>89</td>
</tr>
<tr>
<td>6.1.1. The Election of Salvador Allende Gossens and U.S. National Security</td>
<td>90</td>
</tr>
<tr>
<td>6.1.2. U.S. Perception of the Chilean Socialist Government</td>
<td>91</td>
</tr>
<tr>
<td>6.2. Expropriation of American Enterprises in Chile</td>
<td>92</td>
</tr>
<tr>
<td>6.2.1. “Chileanization” Agreements under President Eduardo Frei</td>
<td>92</td>
</tr>
<tr>
<td>6.2.2. Confiscation of U.S.-Copper Mining Enterprises by the Marxist Government</td>
<td>93</td>
</tr>
<tr>
<td>6.3. Economic Policy of the Allende Administration and its Effects</td>
<td>96</td>
</tr>
<tr>
<td>6.3.1. Performance of the Nationalized Mines</td>
<td>96</td>
</tr>
<tr>
<td>6.3.2. Output of the Chilean Economy under Salvador Allende</td>
<td>97</td>
</tr>
<tr>
<td>6.3.4. Effectiveness of U.S. Economic Sanctions against Chile</td>
<td>99</td>
</tr>
<tr>
<td>7. Conclusion</td>
<td>101</td>
</tr>
<tr>
<td>7.1. Legality of Economic Sanctions according to Customary International Law</td>
<td>101</td>
</tr>
<tr>
<td>7.1.1. Is the Imposition of Embargoes a Privilege of Powerful Countries?</td>
<td>101</td>
</tr>
<tr>
<td>7.1.2. Do Economic Sanctions Constitute A Violation of Human Rights?</td>
<td>102</td>
</tr>
<tr>
<td>7.1.3. Does Trade Liberalization Necessarily Lead to</td>
<td></td>
</tr>
<tr>
<td>Chapter</td>
<td>Topic</td>
</tr>
<tr>
<td>---------</td>
<td>----------------------------------------------------------------------</td>
</tr>
<tr>
<td>7.2.</td>
<td>Legality of the U.S. Embargo against Cuba</td>
</tr>
<tr>
<td>7.2.1.</td>
<td>Legal Aspects of the U.S. Embargo against Cuba</td>
</tr>
<tr>
<td>7.2.1.1.</td>
<td>The Embargo As A Self-Help Measure against Uncompensated Expropriation</td>
</tr>
<tr>
<td>7.2.1.2.</td>
<td>Legality of the Cancellation of the Cuban Sugar Quota</td>
</tr>
<tr>
<td>7.2.1.3.</td>
<td>Legality of the American Export Embargo against Cuba</td>
</tr>
<tr>
<td>7.2.1.5.</td>
<td>The Legality of the Cuban Assets Control Regulations</td>
</tr>
<tr>
<td>7.2.2.</td>
<td>Illegal Aspects of the Embargo</td>
</tr>
<tr>
<td>7.2.2.1.</td>
<td>Reprisals against Third States</td>
</tr>
<tr>
<td>7.2.2.2.</td>
<td>Extraterritoriality of American Trade Laws</td>
</tr>
<tr>
<td>7.3.</td>
<td>Effectiveness of Economic Sanctions As A Political Instrument</td>
</tr>
<tr>
<td>7.3.1.</td>
<td>Effectiveness of the American Embargo against Cuba</td>
</tr>
<tr>
<td>7.3.2.</td>
<td>Why Are Some Sanctions Effective and Others Not?</td>
</tr>
<tr>
<td>7.4.</td>
<td>Possibility of the Lifting of the Embargo</td>
</tr>
<tr>
<td>7.4.1.</td>
<td>Actual Perspectives</td>
</tr>
<tr>
<td>7.4.2.</td>
<td>Main Obstacles to The Lifting of the Embargo</td>
</tr>
<tr>
<td>7.5.</td>
<td>Final Conclusion</td>
</tr>
<tr>
<td></td>
<td>Bibliography</td>
</tr>
</tbody>
</table>
Introduction

The sanction policy of the US toward Cuba, which began in October 1960 with the imposition of the import embargo of Cuban sugar and continues up to this day, was the culmination of the political confrontation of the two countries that began shortly after the triumph of the revolution in the Caribbean nation. The embargo was not a unilateral measure imposed by the American government but the result of a long chain of hostile policies of the two countries.

A lot has been written about the American sanction policy against Cuba, and in most cases the embargo is either seen as a legitimate measure of self-help employed by the United States or as an economic “blockade” whose aim is to suffocate the economy of Cuba. Nevertheless, what is known as the American embargo against Cuba consists of a number of sanctions that were not imposed over night but rather that represent a “tit-for-tat” chain.

In spite of the fact that the agrarian reform on the island and the resulting uncompensated expropriation of American property is seen as the official cause of the embargo, it is indisputable that the politics of hostility between Cuba and the United States also had other causes:

Cuba had been an unconditional ally of the United States from the moment it gained its independence. The key role played by the United States in the Cuban independence process as well as the economic ties of the two nations made this relationship a very special one, not comparable to the relation the United States had with any other Latin American republic.

Nevertheless, the relationship between the two countries changed dramatically—Cuba became an ally of the rival superpower in less than 3 years after the triumph of the revolution led by Fidel Castro. Cuba, by entering the sphere of influence of the Warsaw Pact had become not only a challenge but a military threat to the national interest of the United States of America. This threat would reach its climax with the Missile Crisis of October 1962.

Only after the peaceful solution of the Missile Crisis was socialism accepted as a reality in the American continent. Nonetheless, Cuba was seen as bastion of communism in the Americas and for the rest of the Third World, and as such as a threat to American interests.
It would be mistaken, then, to assume that the embargo was a reaction solely to
the expropriation of American assets on the island. Despite the fact that 1.8 billion
dollars were lost due to the confiscation of American property, there were other
factors that probably played a more significant role in the shaping of the sanction
policy at a time when the cold war was at its climax.

The first sanctions imposed against Cuba were aimed at ousting Castro, and not
at obtaining a compensation for the American property that had been expropriated.
Nevertheless, since the Castro regime never attempted to compensate, the economic
component of the sanction policy could never be actually split from the political one.

It is the purpose of this dissertation to analyze the different components of the
US sanction policy against Cuba, the political as well as the economic causes of the
embargo, the different components, the legality according to customary international
law, the scope and its effectiveness as a political instrument. Since in most cases the
embargo is treated as a unit and as such is categorized either as legal or illegal, one
aim of this dissertation is to discriminate between the legal and the illegal
components of the sanction policy and to analyze them. The role of the
extraterritoriality of the American sanctions is of special importance, since it not only
affects Cuban economic interests but the interests of third countries as well. In some
cases there is an intertwining of territorial and extraterritorial elements, and for this
reason an analysis of each of these is necessary in order to be able to distinguish
between those components of the embargo policy that are legal and those that aren’t.

This dissertation analyzes the embargo from two perspectives: one juridical, that
considers the legality of the embargo according to the principles of international law,
and one political, which examines the embargo as a political instrument under the
historical circumstances of the 1960s.

It is important to state that most of the sources consulted come from Western
democratic countries. Since the scientific validity of Cuban sources do not meet the
standards required for a doctoral dissertation, only a few of them were consulted.
Furthermore, secondary sources were also used, since many official documents of the
State Department are still classified 45 years after the adoption of the sanction
policy.

Since a number of factors played a significant role in the shaping of the US
embargo policy against Cuba (psychological, economic, political) a single theory can
not explain the confrontation that emerged between the two countries. In the same
manner, no historical account can be considered totally right or totally wrong, since there are elements that can prove each of the theories right or wrong.

The first chapter of the dissertation exposes the foundations of US foreign policy in general and the principles that lie at the core of American foreign policy toward Latin America in particular. It presents the historical development of US foreign policy toward Latin America to give the reader an idea of which factors play a role in the shaping of US foreign policy, analyzing not only economic and political factors but other significant factors such as images and perceptions.

The second chapter of the dissertation gives a brief description of the special relationship of the United States and Cuba before the Revolution, and analyzes the dynamics of the Cuban Revolution and the gradual change of the relationship of the Caribbean nation from unconditional ally to enemy.

The third chapter deals with the expropriation of American property by the revolutionary government of Cuba, which, legally speaking, represents the starting point of the confrontation between the two countries. This chapter also presents the different perspectives of expropriation on the one hand, of capital-exporting countries, and on the other, of capital-importing countries, as well as the status of expropriation in customary international law and in international treaties.

The fourth chapter of the dissertation analyzes the practice of imposing embargoes as a measure of self-help accepted in international law. It defines the concept of embargo as compared to other economic sanctions like boycotts, blockades and economic wars, and classifies the different types of embargoes. Furthermore, the fourth chapter analyzes the legality of embargoes in international treaties, like the GATT and the economic charter of the OAS.

The fifth chapter analyzes the shaping of the American embargo policy against Cuba discriminating between the legal and the illegal elements of the American sanction policy. It also analyzes the effects of the embargo on the Cuban economy and the Cuban consumer market. Finally, it considers the legality of the extraterritorial elements of the American trade embargo as seen by international export agreements and by other Western countries.

The sixth chapter is about the economic sanctions the US imposed upon Chile under President Salvador Allende. The purpose of this chapter is to compare the sanction policy of the United States to Cuba, that until today has been ineffective as a means to oust an unfriendly government, to the US sanction policy to Chile, which
definitely played a significant role in the fall of the marxist government of that South American nation. This chapter compares the emergence of socialist governments in the two countries, one through a revolution and the other through a democratic election, and the expropriation of American property in both nations. Finally, it analyzes the effectiveness of economic sanctions in Chile and the factors that differentiated it from the sanction policy against Cuba.

The conclusion of the dissertation analyzes economic sanctions in general from different perspectives: juridical, moral and economic. It distinguishes the legal elements from the illegal elements in the American sanction policy against Cuba, and analyzes the effectiveness of economic sanctions as an instrument of foreign policy. Finally, the final chapter examines the feasibility of a lifting of the embargo 45 years after its imposition and the main obstacles to it in the United States.
1. FOUNDATIONS OF US FOREIGN POLICY

Three main interests lie at the core of US foreign policy in general and US foreign policy toward Latin America in particular. When one or more of these interests is at stake, the US intervenes in the affairs of other countries. The first and probably the most relevant of these is national security; the second are US economic interests and the third domestic politics that spill over to the shaping of foreign policy. To defend its interests, the United States employs political instruments (like recognition of governments), economic instruments (like sanctions and embargoes) and of course, when a threat is perceived as severe enough, military instruments, i.e. the use of force.

A fundamental characteristic that has definitely shaped US policy toward Latin America is the self-perception of superiority of the United States vis à vis its Hispanic neighbors. This perception had its origins in the mind-set of the Founding Fathers of the early 19th century: As John Quincy Adams wrote in his diary in 1820: "there is no community of interests or of principles between North and South America". Every relation with Latin Americans was then to be difficult, since these peoples had a totally different political culture and totally different values. North Americans were Protestant Anglos, while Latin Americans were Catholic Hispanics.¹

In some instances there have been conflicts among the interests of the USA: A good example is the nationalization of oil companies in Mexico in 1938. When President Cárdenas expropriated foreign oil companies the groups affected by these expropriations demanded a military intervention in that country, but given the political circumstances national security had priority over economic interests: A possible alliance of Mexico with the Axis powers represented a much greater threat than the expropriation of American assets in that country, and for this reason the government of the US decided not to intervene in Mexico.

In other instances these interests have been so intertwined that it is difficult to assess which one has priority: an example of this intertwining of interests was the ousting of Guatemalan President Jacobo Arbenz in 1954. President Arbenz had announced a number of expropriations that would directly affect American economic

interests. Furthermore the political configuration of that time (Cold War) made the Arbenz administration seem suspicious to the Americans that Guatemala was flirting with communism.

1.1. Images and Perceptions: Latin America as Seen in the United States

Latin America has been seen by the United States as its hinterland as far back as when the Monroe Doctrine was proclaimed. The Monroe Doctrine has probably been the most significant guideline of US foreign policy to Latin America. The Doctrine contains 2 main principles, namely: the exclusion of European powers from American affairs and the exclusion of America from European affairs. It is the first of these principles that assesses the hegemony of the USA in the Western hemisphere: the end of European colonization in the American continent and non-intervention of European powers in inter-American affairs. At first, the main aim of the doctrine was to keep foreign powers out of the American continent. Later this doctrine was useful for the protection and the enhancement of American economic interests south of the Rio Grande, since the new republics represented a potentially big market for the USA.

The Roosevelt Corollary of the Monroe Doctrine assessed the hegemony of the United States in the American Continent: As the policeman of the world, the United States exercised the right to intervene in Latin America to “discipline the irresponsible peoples”. The perception that President Theodore Roosevelt had of Latin Americans is illustrated by his State of the Union speech of 1904:

“Chronic wrongdoing…may in America as elsewhere, ultimately, intervention by some civilized nation, and in the Western Hemisphere the adherence of the United States to the Monroe Doctrine may force the United States, however reluctantly, in flagrant cases of such wrongdoing or impotence, to the exercise of an international police power”

The subsequent Dollar Diplomacy followed by the Taft Administration assessed the increasing importance of protecting US investment in Latin America at the beginning of the 20th century. It is relevant to mention that the fact that American
capital became increasingly important doesn’t mean that national security became less important, but that both of these interests would shape American foreign policy. The American dollar became a political instrument: governments that were willing to accept directions from Washington would be supported with American investment, and the ones which rejected the policy of the USA would be politically, or even militarily, sanctioned.

The policy followed by the USA didn’t change under the Wilson administration. In spite of the fact that this president wanted to substitute the policy of force for a “policy of benevolence”, under the Wilson administration there were many more US interventions in Latin America than under any other former administration.

Domestic politics have also played a role in the shaping of US foreign policy: It was under the banner of Manifest Destiny that the US expansionist policy developed and served to justify the Mexican-American War, which cost Mexico the loss of more than half of its territory. And it was the conflict between the free states of the North and the slave states of the South which stopped greater US expansion into Latin America and the Caribbean.

Under the Good Neighbor Policy the United States recognized the non-intervention principle; nevertheless this took place in the form of support for “strong governments” (i.e. dictatorships) in the region, since, in the perception of the US, only these could guarantee that fascism stayed out of their countries and of the Western Hemisphere. Dictatorships which guaranteed American interests were militarily supported; the ones which didn’t, were chastised.

Latin America has been seen as belonging to the US sphere of influence since the proclamation of the Monroe Doctrine. Because of their relative weakness, Latin American countries have never posed a real threat to the United States. It was more the threat of foreign powers intervening in weak America that posed a threat to the United States. The image of inferiority of Latin America has also played a role in the shaping of US foreign policy.

The Founding Fathers of the 19th century were convinced that the former Spanish colonies, with their strong tradition of Catholicism and authoritarianism were not capable of attaining democracy. The “national character” of Latin Americans was not suitable for democracy to flourish. Latin American countries

\[2\] U.S. Congress Records, 58th Congress, 3rd Meeting.
were perceived as dependent, ingenuous, inferior, and with a strong tendency to corruption. As such, these countries needed the guidance and counsel of the United States.³

The State of the Union speech of President Roosevelt clearly illustrates this perception of inferiority. Given this condition of inequality between the US and Latin America, whenever a conflict arises, the weak party will normally be given an “alternative”, which the US expects the other party will accept.⁴ If this is not the case, the US will employ might- either military or economic- to attain its goals. In those cases where governments are not willing to cooperate the US will try to oust the government and substitute it for one that is friendly to American interests.

1.2. American Foreign Policy toward Latin America after WW 2

1.2.1. The Truman Doctrine

The polarization of the world resulting after the end of World War II caused a radicalization of American foreign policy. The irreconcilable interests of the two superpowers is clearly illustrated by the Truman Doctrine:

“...At the present moment in world history nearly every nation must choose between alternative ways of life. The choice is often not a free one. One way of life is based upon the will of the majority, and is distinguished by free institutions, representative government, free elections, guarantees of individual liberty, freedom of speech and religion, and freedom from political oppression. The second way of life is based upon the will of a minority forcibly imposed upon the majority. It relies upon terror and oppression, a controlled press and radio, fixed elections and the suppression of personal freedoms.”

The Truman Doctrine was proclaimed at a speech that President Truman gave to the American Congress on March 12, 1947, and indicated the future guidelines that US foreign policy would follow:


⁴ Ibid, p. 23.
“…unless we are willing to help free peoples to maintain their institutions and their national integrity against aggressive movements that seek to impose upon them totalitarian regimes. This is no more than a frank recognition that totalitarian regimes imposed on free peoples, by direct or indirect aggression, undermine the foundations of international peace and hence the security of the United States.”

Although the Doctrine referred to the interventions of the Soviet Union in Greece and Turkey, it definitely marked the perception of a bipolar world, in which a victory for a superpower would automatically mean a loss for the other. Henry Kissinger formulated the perception of the US of those days clearly, as he stated that in a bipolar world there was no place for nuances, and that a plus point for one side would automatically mean a minus point for the other side. In such a world weaker countries would be torn between the need for protection and the wish for independence from the superpowers.5

1.2.2. Chapultepec: From Intervention to Pan-American Cooperation

US foreign policy toward Latin America began to change from a policy of open intervention to a policy of cooperation and consensus under the administration of President Franklin D. Roosevelt. Nevertheless the Good Neighbor Policy didn’t take a concrete form under that government, but rather under the Truman administration.

The new policy the US would follow consisted of 2 parts: first, the abandonment of the policy of intervention by the United States, and second, the development of a collective defense system of the American continent. The fulfillment of the principle of non-intervention played a fundamental role in the development of the new Pan-American defense system: Latin American countries needn’t fear that the defense system be used as an instrument of US interventionist policies.

The Inter-American Conference about Problems of War and Peace that took place in Mexico from February 21 to March 8, 1945 served as a cornerstone for the foundation of the future Organization of American States.

In the Act of Chapultepec, signed at that conference, communism is seen as incompatible with the Inter-American Peace System. The Act of Chapultepec was to serve as a preliminary treaty for the collective defense of the continent during the last
phase of WW II, on the one hand, and on the other, as a pact for collective security for the American continent.⁶

The Act of Chapultepec consists of three parts: the first is declaratory. It states the aim of unanimous defense in case of an attack against the territory, the sovereignty or the political independence of any American country. The second part is a recommendation to the American governments of consolidating a treaty for collective defense after the end of the hostilities (which resulted in the signing and ratification of the Rio Treaty of 1947), and the third confirms the regional character of the former 2 parts. The aims of the new organization would be compatible with those of the planned world organization. The Inter-American system would be in charge of maintaining peace in the region. The Act of Chapultepec enhanced the solidarity of the American Republics: these would collectively defend the Monroe-Doctrine, which would become a Pan-American defense doctrine.⁷

1.2.3. The Military Defense of the American Continent

In September 1947 the Inter-American Treaty of Reciprocal Assistance (ITRA) was signed in Rio de Janeiro. All 21 American republics signed and ratified the treaty, which is in vigor since 1948. In the same manner, the juridical organization of the Inter-American System was established by the Charter of the Organization of the American States (OAS).

The ITRA lays down two types of obligations for the signatory states: first, in case of armed aggression against any one of the states, all other states are obliged to assist it (in accordance with Art. 51 of the Charter of the United Nations), and second, in case of a non-military aggression, all states are obliged to consult and decide what measures are to be adopted.

The Consultation Organ set up by the treaty has the authority to impose sanctions. These go from the severance of diplomatic relations and the interruption of all means of communication and transportation to the imposition of economic sanctions and in cases of a threat to peace to the use of military force. Although the decisions ordered by the organ are mandatory for all signatory states, no state is

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⁵ Henry A. Kissinger, American Foreign Policy, Econ Verlag, Duesseldorf, 1969, p. 77-78.
obliged to use military force against its will. Theoretically, the difference in military might among the members is irrelevant, since each state has one vote. For any action to be taken, 14 votes are necessary, independently from the members which cast these votes.

1.2.4. U.S. Support of Dictatorships in Latin America

After the end of World War II, when the US was at the crest of its power, it was the defense of democracy which stood at the core of its Latin America policy. It had been a threat to democracy which had pulled the US into World War II, and right after its end for a brief period, democracy had priority over stability in the region.

Unpopular dictators were openly criticized- one example of the critical attitude of the US was a speech given by its ambassador to Brazil, Adolf Berle, in which he thanked Brazil for its support during World War II, but demanded an end to the masked dictatorship of Gêulio Vargas.

Nevertheless, democracy lost its priority over stability as the sphere of influence of the Soviet Union expanded in Europe. Although Latin America had a very high political priority for the US, this region didn’t have economic priority. Latin America would not benefit from the Marshall Plan, because according to President Truman:

…”the problems of countries in this hemisphere are different in nature and cannot be relieved by the same means and the same approaches which are in contemplation for Europe.”

The claim for economic help from Latin America were rejected by the US government at the Mexico City Conference of 1945. Latin America was very far from Soviet borders and from the threat posed by the rivaling superpower. Secretary of State George Marshall declared at the Bogotá Conference of 1945 that all economic help for Latin America should come from private sources.

Europe had a much higher political priority over than Latin America: it was not only that the Old Continent had been devastated by the Second World War, but also that Europe was the stage of the confrontation between communism and capitalism, and between totalitarianism and democracy. Since Latin America was not in jeopardy, it was given a much lower priority than Europe in US foreign policy. For

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this reason, and in spite of the geographic closeness of the United States to this region, only 2.4% of all US economic aid went to Latin America between 1948 and 1958.  

1.2.5. The Militarized Good Neighbor

Although the policy of the US to Latin America changed from one of unilateral, open intervention to one of consensus with the Charter of Bogotá and the ITRA, the US didn’t give up their right to intervene, but rather modified it. According to the Charter of Bogotá of 1948 a multilateral intervention was legal in case of a threat to the peace in the American continent. Intervention was not to be unilateral anymore. According to US Assistant Secretary of State Edward Miller:

> ...."The fact is that non-intervention (under the Good Neighbor) never did proscribe the assumption by the organized community of a legitimate concern with any circumstances that threatened the common welfare. On the contrary, it made the possibility of such action imperative. Such a collective undertaking, far from representing intervention, is the alternative to intervention. It is the corollary of non-intervention."  

The so-called Miller-Doctrine justified collective intervention in those cases when it was “necessary.” The Monroe- Doctrine was resuscitated in the 1950s, but now the main threat to the American continent was posed by communism. The US policy toward Latin America in the 1950s was further delimited by the State Department Expert for Soviet Affairs, George Kennan, as follows:

1. The protection of our raw materials;
2. The prevention of the military exploitation of Latin America by the enemy;
3. The prevention of the psychological mobilization of Latin America against us.

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Furthermore, Kennan thought that, in case of political turmoil elsewhere, the relations between the USA and Latin America weren’t stable enough to guarantee that the American republics took the side of the US. For this reason, “strong” governments were desirable in these countries:

“...the final answer might be an unpleasant one, but...we should not hesitate before police repression by the local government. This is not shameful, since the communists are essentially traitors...It is better to have a strong regime than a liberal government if it is indulgent and relaxed and penetrated by communists.”

This perception led to the substitution of the Good Neighbor Policy by the Military Assistance Act. New military binds between the USA and Latin America were created, but not with the aim of defending the American continent from a foreign attack, but rather to enhance the inner security of the countries.

When in 1953 Gen. Dwight D. Eisenhower became President of the USA, he endeavored to shape a foreign policy toward Latin America that would, on the one hand, favor the national security of the USA, and on the other, would satisfy the needs of the USA of raw materials at the lowest possible prices, since these were considered of highest priority for the security of the West.

Given the increasing polarization of the world after the end of World War II, the Good Neighbor Policy became a policy of military dependency in the 1950s. The United States considered dictatorships in Latin America necessary to stop communists from coming to power in those countries, and supported them economically as well as militarily. Until the end of 1954 13 out of the 20 Latin American republics had dictatorial governments.

1.3. The Foreign Policy of the Eisenhower Administration

There were 2 decisive events that marked the beginning of a new era of the Cold War: the first was the death of Joseph Stalin, and the second, a new Republican government in the United States.

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Soviet foreign policy began to change under Nikita Khrushchev: it began to moderate and in some instances to radically change. Paradoxically, the crest of anticommunist phobia reached its climax in 1952 with McCarthyism.\textsuperscript{15}

The end of the Truman administration brought with it the end of the “policy of Shield and Sword” followed by both President Roosevelt and President Truman. The Policy of Containment had proved to be totally unsuccessful for a number of reasons: it gave the enemy the privilege of taking the initiative when and where to attack. Besides it had proven to be expensive and inflexible.\textsuperscript{16}

The Eisenhower administration developed two main strategies to contain the enemy: first, the borders of the Sino-Soviet Block had to be clearly delimited, and second, these global borders would be protected by the Air Force. The Soviets and the Chinese would have to risk total war if they dared violate those borders.\textsuperscript{17}

There were other factors that played an important role in the expansion of the Cold War outside Europe. Although Europe, and especially Germany, continued to be the main stage of the Soviet-American confrontation, beginning 1954 there began to be uprisings in other parts of the world, mainly in Asia. There were a number of nationalistic revolutions, which had the effect of complicating further the Cold War and the balance of power between both superpowers. These uprisings were mainly caused by domestic turmoil and ethnic conflicts than by Soviet instigated agitators, but were perceived by many in the US State Department as a threat to the status quo. As a result, the global influence of the United States increased, and a southeast Asian equivalent to the European NATO was formed through a treaty among the United States, Great Britain, France, Thailand, Pakistan, Australia, New Zealand and the Philippines.

In 1955 both superpowers mutually recognized the status quo at the Geneva Conference, but a year later the nationalization of the Suez Canal in Egypt and the Soviet Ultimatum on the one hand, and the military intervention of the Soviet Union in Hungary on the other proved that peaceful coexistence between both superpowers was far from real.

In spite of the military superiority of the United States over the Soviet Union at that time, the Massive Retaliation Doctrine began to seem unfeasible as a political